

**Memorandum of the Meeting
Standing Study Session/Meeting
Twenty-Sixth Town Council of Highland
Saturday, October 24, 2009**

The standing study session of the Twenty-Sixth Town Council of the Town of Highland was convened at the regular place, the Highland Municipal, 3333 Ridge Road, Highland, Indiana, in the plenary meeting chambers on **Saturday, October 24, 2009** at the regular time of 8:40 o'clock a.m.

Silent Roll Call: Councilors Bernie Zemen, Mark Herak, Dan Vassar, and Brian Novak, were present. Councilor Konnie Kuiper was absent. It was noted that he had advised that he had a work related conflict. The Clerk-Treasurer Michael W. Griffin was present to memorialize the proceedings. A quorum was attained.

Also present: Peter T. Hojnicky, Metropolitan Police Chief; Cecile Petro, and Redevelopment Director; Alex M. Brown, CPRP, Parks and Recreation Superintendent were also present.

Ed Dabrowski of the Park and Recreation Board; James DeGraaf and Dan Stombaugh of the Town Board of Metropolitan Police Commissioners; and Erich Swisher, President of Highland Fraternal Order of Police, were also present.

Kenneth Balon, Police Pension Secretary was also present.

General Substance of Matters Discussed

1. The Town Council, Clerk-Treasurer and officials present discussed and worked toward budget reconciliation for FY 2010. This meeting was convened as a follow-up from the Study Session of Monday, October 19, 2009 in order to further review and consider the proper approach to the FY 2010 Budget, which is scheduled for final action and adoption on Monday, October 26, 2009.

The Clerk-Treasurer indicated that the budget as proposed was *funded* but not balanced. The Clerk-Treasurer explained that Indiana law really does not require a balanced budget but rather a Funded budget and explained the distinction. He further explained that after working through the modifications by changing the medical insurance increase to a six percent rate, all operating budgets are below the FY 2009 levels except the Parks and Recreation Department, which remains \$29,790 over the 2009 levels, the Sanitation Department which is \$15,773 over the FY 2009 levels, and the Police Pension Fund which is \$778 over FY 2009.

The Clerk-Treasurer further indicated that depending upon collection rates, revised following the health insurance premium increase adjustment from 22% to 6%, the General fund possesses a deficit of between \$380,983 to \$358,998. He further reminded those present that the deficit was systemic, owing in part to the effects of IC 6-1.1-18.5-2(c), which froze the operating levies for all Lake County civil government's only at its FY 2007 level unless the County Council adopted a county Local option income tax. The tax levy freeze meant that the operating levy lost its potential allowable increase of \$225,111. He further reminded all that as a consequence of the State assuming the much of the costs of the police pension fund, the law further required that the maximum levy of the municipality be reduced by \$273,895.

The Clerk-Treasurer further reported that owing to the deficit, that even if the proposed budget is adjusted to FY 2009 levels, it is estimated that the deficit would erode cash reserves to exhaustion perhaps in two years or less. He further reported that any new spending such as raises, not offset by reductions or new revenue, could not be sustained.

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The clerk-treasurer presented other reports that presented the effects of the insurance adjustments on the several departmental or fund budgets and the manner in which the deficits were estimated depending upon a 95% or 97.5% property tax collection rate. The Clerk-Treasurer also presented analysis on funds and departments of the Corporation General Fund in which he was able to show the budgets that were more highly dependent upon property taxes and those that weren't.

The Town Council and the Clerk-Treasurer discussed a series of proposed reductions offered by Councilor Herak, which may provide as much as \$129,000 in reductions. The Clerk-Treasurer commended his work but noted that in many cases, the budgets that he identified for reduction were funded entirely or to a high degree by user charges. In such cases, the reductions would then require corresponding reductions in users charges so as to avoid a form of cross-subsidy for unrelated functions not related to the basis of the user charges. Based upon this, the reductions would not provide the full amount of savings at first believed. The Clerk-Treasurer said that the deficit problem is related to property tax driven budgets.

A discussion ensued between and among the participants related to particular elements of the budget, including particular line items as described in the suggestions prepared by Councilor Herak for discussion. The discussion included a reconsideration of dealing with the \$230,000 traffic and street light energy costs, property tax supported and budgeted in the general fund. Ideas such as imposing vehicle sticker user fee to support these costs, using alternative lower energy lights, to turning the lights off were discussed without any formal consensus emerging.

The members of the Town Board of Metropolitan Police Commissioners and the Metropolitan Police Chief suggested licensing of actual towing providers as well as livery or taxi providers as a possible regulatory function and therefore funding source. Further, the discussion included consideration of a dispatching services fee to be imposed related to the ambulance service currently contracted. It was noted that the contract fixing the cost to the municipality as no fee, is based upon a Highland-Munster Joint undertaking, and would need to be discussed in the context of any contract renewal or bid.

Councilor Zemen inquired whether or not any added vacation days, longevity pay, uniform allowance pay, incentive paid days off for police rewarding for perfect work attendance, or compensation days could be adopted in the context of the budget. It was noted that all would be new, added spending, increasing the deficit. It was further noted that such an action would accelerate the exhaustion of the cash reserve and force hard spending cuts. Councilor Zemen inquired about the elimination of the part-time Information Technology Coordinator, inquiring about the utility of the position. It was noted that this position, is funded from a charge that the Town Council approves annually, allocated as 25% General Fund, 20% Park Fund, 5% from Redevelopment, 25% water and 25% sewage. It was further noted that only 50% of the pay is funded from a property tax source, meaning savings would be only estimated at \$8,000. It was further noted that except for the police department, which has an officer assigned as its IT staff, the IT Coordinator serves all other departments of the municipality.

Finally, the Clerk-Treasurer renewed his earlier recommendations offered at the 19 October 2009 study session. He then further offered the following recommendations to the Town Council:

- A. Accept for the FY 2010 Budget the reductions that are in place following the insurance modification and an added reduction of \$6,500 in the Information Communication Technology Fund.
- B. Early in January 2010, assign a working group to develop a plan that over two or three years will work on the problem of the general budget contraction, and the systemic deficit.
- C. Understand property taxes are the flat-lined operating revenue. Reducing reliance on property tax for all non-public safety functions will help. Also, find ways to reduce costs, while retaining quality and services within a "price point" of government.

2. The Town Council discussed the issue of the 27 paydays likely to be experienced in FY 2009 and the modification of the base pay for pension purposes, temporarily increasing the base, if the Town Council wishes to do so. The Metropolitan Police Chief believed that he had identified in his overtime account sufficient funds to support the added employer costs, in the approximate amount of \$16,000 if the Town Council elected to make the one-time change to the base.

The discussion included the merits of using the one-time windfall from the distribution of dormant county welfare funds levy in the amount of \$126,703 that could be only used for any public safety purpose, to fund the approximate \$25,000 increase to the Police Pension Fund, and the approximate \$16,000 increase to the employers' costs if the pension base was increased by recognizing the 27th pay as an increase to the pension base pay basis. The Police Chief recommended against using the county welfare funds levy funds this way.

3. The Town Council and the Mr. Dabrowski in his role as the contracted IT Director, discussed maintenance of the municipal website. Mr. Dabrowski sought clarification regarding the whether or not he should continue to use the person with whom he subcontracted, Judith Mayer, to perform website maintenance or someone else. It was suggested that the Town Council was unhappy with the site, but no specifics were presented.

There being no further business to come before the Town Council, the regular study session of the Town Council, of **Saturday, October 24, 2009**, was adjourned at 11:35 o'clock a.m.

Michael W. Griffin, IAMC/MMC/CPFA
Clerk-Treasurer